

Message Text

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SS-15 STR-07 ITC-01 TRSE-00 USIA-15 SP-02 SOE-02
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FM AMEMBASSY MOSCOW

TO SECSTATE WASHDC 8217

INFO AMEMBASSY CAIRO

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DEPT PASS USDA ELECTRONICALLY FOR FAS/FCA/STEVENSON/ESCS/
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E.O. 11652: N/A

TAGS: EAGR, EPAP, UR

SUBJECT: USSR: AGRICULTURAL SITUATION REPORT - COTTON
(SS8006 - 24A)

A. 1977 REVIEW:

1. PRODUCTION: ALTHOUGH THE SEASON GOT OFF TO AN UNSTEADY
START, COTTON WAS THE MAJOR 1977 CROPPING SUCCESS AS PRO-
DUCTION REACHED A RECORD 8.760 MILLION TONS - FIVE PERCENT
ABOVE TARGET, AND HALF A MILLION TONS LARGER THAN 1976
OUTTURN. SOWN AREA INCREASED BY 30,000 HECTARES (TO 2.979
MILLION), BUT MOST OF THE ADDITIONAL PRODUCTION WAS DUE TO
IMPROVED YIELDS AVERAGING 29.4 QUINTALS/HECTARE, COMPARED
WITH 28.1 THE PREVIOUS YEAR.

2. EARLY-SEASON PROBLEMS, WHICH INCLUDED FEBRUARY-APRIL
DROUGHT, ABOVE-AVERAGE TEMPERATURES, WIND, EARTHQUAKES,
TORRENTIAL RAINS AND OTHER ACTS OF GOD, WERE OVERCOME
BY IMPROVED WATER SUPPLIES FOR IRRIGATION, FAVORABLE MID-
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SUMMER GROWING CONDITIONS AND NEARLY IDEAL HARVESTING
WEATHER. HOWEVER, THE FACT THAT 400,000 HECTARES HAD TO
BE RESOWN WAS PERHAPS PARTLY RESPONSIBLE FOR THE ONLY
DISAPPOINTMENT IN THIS YEAR'S CROP -- THE APPARENT SHORT-
FALL IN LONG STAPLE PRODUCTION.

3. AS USUAL, UZBEKISTAN PRODUCED ABOUT TWO-THIRDS OF THE

TOTAL CROP. AND WHILE ALL OTHER REPUBLICS ALSO MET OR EXCEEDED TARGETS, AZERBAIJAN SEEMED TO HAVE "REVISED" PLAN DOWNWARD TO DO IT. ON THE OTHER HAND, ALTHOUGH WE HAVE NOT SEEN AN OFFICIAL WRAPUP, WE DOUBT THAT LONG STAPLE OUTTURN EXCEEDED 700,000 TONS AGAINST THE 765,000 TON PLAN.

USSR: COTTON PRODUCTION BY REPUBLIC, 8TH, 9TH AND 10TH FIVE YEAR PLANS:

- UZBEK- TURK- TAD- BAI- KAZAKH- KIR-
- ISTAN MEN ZHIK JAN STAN GIZ TOTAL

- ----- 000 METRIC TONS -----

1966-70 (8TH) 3,982 726 649 328 241 173 6,099

1971-75 (9TH) 4,895 1,011 810 441 305 205 7,667

1976 5,338 1,046 847 532 310 208 8,281

1977 (PLAN) 5,360 1,085 850 500 316 205 8,316

1977 (ACTUAL) 5,680 1,170 861 512 322 215 8,760

1978 (PLAN) 5,500 1,123 865 520 323 206 8,537

1980 (PLAN) 5,800 1,200 900 600 340 200 9,040

(NOTE: 1966-70 AND 1971-75 DATA ARE ON "ANNUAL AVERAGE"

BASIS; 1978 AND 1980 PLAN FIGURES SEEM TO VARY SLIGHTLY

FROM DAY TO DAY, BUT ABOVE REPRESENT OUR BEST JUDGMENT OF CURRENT GOALS).

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4. PROCESSING: ON THE BASIS OF 1976 AND 1977 CROP SIZE, 1977 RAW FIBER AND SEED PLANS (2.611 AND 4.678 MILLION TONS RESPECTIVELY) WERE PROBABLY MET. THE SAME CANNOT BE SAID FOR COTTON THREAD AND FABRIC MANUFACTURES. ALTHOUGH GOALS WERE SET AN IMPRESSIVE 4.5 AND 3.3 PERCENT RESPECTIVELY ABOVE 1976 RESULTS, FABRIC PRODUCTION, AT 6,800 MILLION SQUARE METERS, BARELY EXCEEDED THE 1976 POSTING (6,779). IT IS LIKELY THAT COTTON THREAD OUTTURN ALSO FELL SHORT OF THE PLAN (1.655 MILLION TONS). IN THE MEANTIME, CHEMICAL FIBERS AND THREADS INCREASED BY 6.7 PERCENT TO 1.088 MILLION TONS, JUST SHY OF THE 1.1 MILLION TON GOAL. STRONG PERFORMANCE WAS AIDED BY NEW PLANT CAPACITY OF 87,500 TONS. USSR: PRODUCTION OF COTTON FIBER, THREAD, FABRIC, AND CHEMICAL FIBERS (000 METRIC TONS):

- COTTON COTTON COTTON CHEMICAL

YEAR - FIBER THREAD FABRIC FIBER

1975 - 2,649 1,573 6,634 955

1976 - 2,590 1,583 6,779 1,020

1977 (PLAN) 2,611 1,655 7,004 1,100

1977 (ACTUAL) NA NA 6,800 1,088

(NOTE: COTTON FABRIC IS IN "MILLION METERS SQUARE").

5. TRADE: MAJOR 1977 TRADE NEWS WAS THE BREAK IN LONG-STANDING EGYPTIAN/SOVIET COTTON LINK. ALTHOUGH EGYPT HAD BEEN PROVIDING A DIMINISHING PERCENTAGE OF SOVIET COTTON IMPORT NEEDS, IT WAS STILL THE DOMINANT LONG STAPLE SUPPLIER. ACCORDING TO AN EGYPTIAN SOURCE HERE, EGYPTIAN 1977 EXPORTS TOTALED 22,000 TONS AGAINST A COMMITMENT OF 30,000. (THE BALANCE WILL NOT BE DELIVERED). THE SOVIETS PROBABLY SECURED THEIR USUAL 60-80 THOUSAND TONS (MOSTLY LONG STAPLE) FROM OTHER SOURCES, THUS LEAVING TOTAL IMPORTS SOMEWHAT BELOW THE 1976 LEVEL OF 117,000 TONS

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(LINT).

6. AS INDICATED LAST JULY (TOFAS 335), 1977 EXPORT ACTIVITY APPEARED TO HAVE BEEN ONLY SLIGHTLY STRONGER THAN IN 1976. MAJOR CUSTOMERS WERE AGAIN EASTERN EUROPE, FRANCE, THE U.K., AND JAPAN. TOTAL 1977 SHIPMENTS ARE GUESSTIMATED AT NEAR 900,000 TONS.

B. 1978 OUTLOOK:

7. PRODUCTION: 1978 COTTON PLAN IS 8.5 MILLION TONS (BY OUR READING, 8,537). AS ANOTHER 30,000-40,000 IRRIGATED HECTARES WILL PROBABLY BE PUT INTO PRODUCTION, GOAL SHOULD BE ACHIEVED EVEN IF YIELDS ARE NOT SPECTACULAR. FULFILLMENT OF LONG STAPLE PLAN IS, HOWEVER, LESS LIKELY. TARGET HAS BEEN INCREASED BY 48-58 THOUSAND TONS TO 813-823 THOUSAND (DEPENDING ON WHICH JOURNAL ONE READS). BULK OF INCREASE IS IN TURKMEN DUE TO OPENING OF KARA KUM CANAL. ANNOUNED PLANS ARE AS FOLLOWS: UZBEKISTAN (295,000-

300,000), TADZHIK (293,000), TURKMEN (225,000-230,000).

8. ALTHOUGH WE HAVE SEEN NO REPORTS ON THE CENTRAL ASIAN SNOW MASS, GOOD WINTER RAINS (HENCE GOOD SOIL MOISTURE) ARE REPORTED IN SEVERAL OF THE LESSER PRODUCING AREAS. CONTINUING PRIMACY OF "COTTON REPUBLICS" IN TOTAL SOVIET UNCLASSIFIED

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IRRIGATION PROGRAM IS ILLUSTRATED BY THE FOLLOWING TABLE:
IRRIGATED AREA ON STATE AND COLLECTIVE FARMS, 1965, 1975
AND 1976:

-	-	1965	1975	1976
-	-	-----	000 HA.	-----
USSR	-	9,812	14,241	15,044
COTTON REPUBLICS		7,128	8,092	8,339
UZBEKISTAN	-	2,639	3,006	3,084
TURKMEN	-	514	819	880
TADZHIK	-	468	567	581
KIRGIZ	-	861	911	920
KAZAKHSTAN	-	1,368	1,648	1,697
AZERBAIJAN	-	1,278	1,177	1,177

9. PROCESSING: WE HAVE NOT SEEN 1978 COTTON (OR SYNTHETIC FIBER) PROCESSING GOALS, BUT GIVEN THE SIZE OF THE 1977 CROP, AMBITIOUS PLANS (FOR COTTON THREAD AND FIBER) HAVE NO DOUBT BEEN MADE.

10. TRADE: WE DO NOT ANTICIPATE A MAJOR REDUCTION IN IMPORTS AS LONG AS DOMESTIC LONG-STAPLE PRODUCTION IS INADEQUATE. ANOTHER FACTOR SUPPORTIVE OF COTTON IMPORTS IS THE FACT THAT THE SOVIETS REQUIRE REPAYMENT FOR GOODS EXPORTED TO THE INVOLVED COUNTRIES. SINCE EGYPTIAN LONG-STAPLE WILL APPARENTLY NOT BE AVAILABLE WITH THE NON-RENEWAL OF THIS TRADE COMMITMENT IN 1978, THE SOVIETS WILL NEED TO FIND OTHER IMPORT SOURCES FOR LONG AND EXTRA LONG STAPLE COTTON. WE ASSUME THAT OTHER ORIGINS CAN BE FOUND FOR THIS RELATIVELY SMALL QUANTITY. THE DECISION MAY WELL BE, HOWEVER, ONE OF PAYING HIGHER PRICES OR SUBSTITUTING LOWER QUALITIES. THE 30,000 TON LEVEL OF EGYPTIAN IMPORTS OF RECENT YEARS, INCIDENTALLY, AMOUNTS TO NOT MORE THAN UNCLASSIFIED

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ABOUT TEN PERCENT OF THE REPORTED DEFICIT IN FINE FIBER COTTONS IN THE USSR. ON THE EXPORT SIDE, THE LARGE 1977 CROP MAY LEAD TO INCREASED FOREIGN SALES, ASSUMING ACCEPTABLE MARKETS ARE FOUND. CONSUMPTION AND STOCKS ARE

ALSO LIKELY TO INCREASE.

C. TENTH PLAN PROGNOSIS:

11. AVERAGE 1976-77 COTTON PRODUCTION OF 8.521 MILLION TONS IS ONLY SLIGHTLY BEHIND 10TH PLAN AVERAGE ANNUAL GOAL OF 8.55. GIVEN THE NORMAL YEARLY RATE OF INCREASE IN THIS CROP, FULFILLMENT OF THE TENTH PLAN OBJECTIVE APPEARS ATTAINABLE. HOWEVER, RECENT LONG STAPLE PERFORMANCE CONTINUES UNIMPRESSIVE. SPRING FLOODS, WITH POSSIBLE EARTHQUAKE DAMAGE TO IRRIGATION INSTALLATIONS, WERE FACTORS IN 1976 AND 1977, BUT LOWER YIELDS AND HIGHER RISKS HAVE ALSO KEPT ACREAGE BELOW DESIRED LEVELS. NONETHELESS, THE SOVIETS CONTINUE TO MAKE THIS A MAJOR FOCUS. IN A RECENT ARTICLE IT WAS STATED THAT INTERNAL "DEMAND FOR THIS RAW MATERIAL IS AT PRESENT BEING MET BY 60-65 PERCENT". THIS IS SAID TO CAUSE SHORTAGES OF FINE FABRICS SUCH AS COMBRIC, VOILE AND ZEPHYR. THE 1980 PLAN IS FOR PRODUCTION TO EXCEED 1.5 MILLION TONS (RAW). TWO-THIRDS IS TO COME FROM TURKMEN WITH COMPLETION OF THE NEW 1400 KILOMETER KARA KUM IRRIGATION CANAL (INAUGURATED LAST OCTOBER). LONG TERM GOAL FOR LONG-STAPLE IS 1.7-1.8 MILLION TONS.

12. 1980 GOALS FOR PRODUCTION OF COTTON FABRICS (8.3-8.6 BILLION SQUARE METERS) AND SYNTHETIC FIBERS (1.5 MILLION TONS) APPEAR OUT OF RANGE.

13. GIVEN SOVIET COTTON GROWING CAPABILITY AND NEED FOR HARD CURRENCY EARNINGS, WE WOULD NOT EXPECT ANY DIMINUTION IN SOVIET EXPORT COMPETITIVENESS IN THE FORESEEABLE FUTURE. THE 1977 CROP SHOULD SUPPORT INCREASED EXPORTS IN 1978 OF

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AN UNKNOWN VOLUME. MATLOCK

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